



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
OPPOSING
SB-63, AA MANDATING EMPLOYERS PROVIDE PAID SICK LEAVE TO EMPLOYEES
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
FEBRUARY 25, 2010**

The National Federation of Independent Business (NFIB), Connecticut's and the nation's leading small-business association, respectfully submits the following comments opposing SB-62, An Act Mandating Employers Provide Paid Sick Leave To Employees:

Connecticut is already a high-cost state for employers with energy costs, development costs, taxes, unemployment insurance costs, health insurance premiums, and employee salary and benefit costs at or near the highest in the nation. Unemployment insurance is projected to jump and stay there for the foreseeable future, further increasing Connecticut's employers' costs. These costs as well as even the possibility of mandates such as the one reflected in this bill are reflected in our state's slow job growth over the past several years, particularly in the small business sector which has traditionally been the state's job incubator. Small business owners are not a bottomless pit. Now is not the time to impose a new mandate on employers for paid sick leave for employees -- a mandate that will make the state less economically competitive.

Unlike unemployment insurance or workers' compensation, which cover losing a job through no fault of the employee or incurring an accidental injury on the job, having sick leave is unrelated to the employment relationship. Paid sick leave is more akin to health insurance or other voluntary benefits.

Mandated sick leave significantly impacts productivity and operations in small businesses and it is costly.

A new state mandate that prescribes specific employee benefits, like paid sick leave, would restrict the flexibility of employers to provide the wages and benefits that their employees want, and that the employer can afford. If employers are required to pay for

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sick leave, there are fewer resources available for other optional benefits such as health insurance, retirement programs, or wage increases -- benefits that most would consider to have a more fundamental relationship to the workplace and that impact all workers. Particularly in small businesses, employees appreciate an employer that can tailor their benefits to their particular needs and desires.

In short, paid sick leave is not an essential benefit, or even useful, to many workers. If mandated in Connecticut, paid sick leave would leave Connecticut employers in a less competitive position. Time-off issues are currently worked out in thousands of small businesses in the state every day without government intervention. The government mandate is an economically dangerous imposition of additional costs on many Connecticut employers, the very employers who are being relied upon to help lead the state into economic recovery, contrary to the assertion of some who claim that this bill somehow exempts small businesses, which it in fact, does not. (Please see attached *Hartford Courant* article).

Additionally, please see attached survey results outlining employer responses should a bill like this pass.

Thank you for the opportunity to comment, and NFIIB urges rejection of SB-63.

Courant.com

ECONOMY

Midsize Companies Key To Economic Recovery

By MARA LEE

The Hartford Courant

February 14, 2010

Small businesses will be the first to chip away at high unemployment.

But it won't be at the mom-and-pop shops or other under-10-employee businesses, no matter politicians' fondness for photo ops there.

It's companies with millions in revenue, with 50 to 499 employees, that are the economic engine of recovery.

In January, a nationwide payroll survey showed companies with more than 500 workers cut 19,000 jobs. Businesses with fewer than 50 workers cut 12,000 jobs. Only those with 50 to 499 workers hired more than they laid off, and they hired 9,000 people.

Those companies in the middle — still small enough to qualify for federal loan guarantees to small business — have usually been considered attractive to banks. But as the Great Recession took hold, that changed.

With policymakers focused on them, the definition of what is a small business matters all the more. And it may surprise many people who think of a small business as an independent shop, a start-up firm or a couple of accountants in a second-story office.

The U.S. Small Business Administration defines "small" differently depending on the industry. Construction contractors, for example, can have sales of up to \$14 million a year. Manufacturers can have as many as 500 employees. A department store can have sales of \$27 million.

In good times, it was start-ups and micro-businesses that came to Donna Wertenbach, CEO of Community Economic Development Fund. The fund, which made more than \$4 million in loans in 2009, is a Meriden nonprofit that lends to low- and moderate-income entrepreneurs, as well as small businesses in distressed towns and cities.

"The purpose of CEDF is to serve small businesses who cannot get credit from banks," she said.

In 2009, Wertebach suddenly saw an influx of larger small businesses. The banks that fund her agency called her last year, saying they weren't willing or able to help those firms as their sales plummeted. They'd say, Wertebach recounted, "Can you catch them, stabilize them?"

Wertebach, whose agency has a higher risk tolerance than banks, said there were "hundreds and hundreds and hundreds" of businesses like this in Connecticut in 2009, whose credit lines were pulled, whose credit card limits were cut, or whose credit card rates were jacked up, and, with revenues dropping, they couldn't make payroll.

"I had the saddest conversations with people," she said.

But most of the time, she couldn't help them.

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In March of 2008, NFIB/Connecticut asked a variety of small businesses to respond to the following question as part of an informal survey on the topic of paid leave:

“How would you, as a business owner, respond in the workplace if a law passed requiring you to provide 7 paid sick days to your employees?”

Their responses are below. In order to keep their personal information from becoming public, the names of their businesses have not been provided.

“Stop giving vacation days and fire the part-time people”

– metalworking company - Middletown – 52 employees

“We would eliminate personal time, vacation pay and our current 10 paid sick days and go to earned time off.”

– component remanufacturing company, Avon – 72 employees

“We would limit raises to every 18 to 24 months”

– beverage producer, Willimantic – 60 employees

“We would assess the total paid days off and may make adjustments.”

– manufacturing company, Durham – 177 employees

“I think it would just add to entitlement attitudes. I treat people fairly and reward people who treat me fairly. As a sole proprietor I take very little time off. I wonder, who will pay for my sick leave, family leave, personal time, vacation time? It is hard enough to keep good people as they are not easily replaceable. The good ones are treated like royalty.” *– eye care company, Waterbury*

“We would not be happy. We already offer 5 paid sick days. We cannot afford to pay out anymore benefits than we do now”

– air conditioning & heating company, Meriden

“We’d have to follow the law. However, people tend to use sick days as personal days or extra vacation if they’re not sick.”

— professional services firm — Guilford

“The company would take back current benefits of 8 hours paid birthday and 8 hours extra days pay for Xmas and New Years.”

— grinding and machine company, Bridgport

“We pay up to 4 weeks vacation. We pay 4 sick days. We pay 1 personal day. I believe 7 days of paid sick leave is a lot, there are only 5 business days in a week.”

— heating contractor, Uncasville

“The vacation days would decrease. It should not be up to the government to tell me what benefits I should have to offer to my employees.”

— construction company, Burlington

“I would not pay vacation pay anymore and instead let them use their sick days as vacation.”

— construction contractor, Torrington

“I’d fire them.”

— metalworking company, North Branford

“We would rework our # of vacation days to seven less days being offered.”

— auto body shop, Windsor Locks

“Small businesses like ours cannot offer additional paid sick days above the 5 we currently offer. We found that it has been adequate for normal sick absences.”

— wholesale florist, Orange

“I am sick of the government trying to run my business and would seriously consider closing.”

— welding services company, North Windham

“Hire less part-time employees, hire less full-time as well. Hire very carefully.”

— garden center, East Haddam